A Reminder of Penn’s Cost Transfer Policy for Sponsored Programs

Penn’s policy on cost transfers was modified last spring to include the requirement that a Cost Transfer Justification Form be submitted to ORS at the time of the journal entry regardless of the amount of time between the original charge and the cost transfer. It is important to submit the completed form in a timely manner. A completed form includes the reason for the transfer, an explanation of how the expenditures directly benefit or will be used to accomplish the aims of the project, and indication of Principal Investigator approval by signature of the form or via an attached email (required). All cost transfer forms must be submitted to Res_Cost_Transfers@lists.upenn.edu. Cost transfers that exceed 90 days from the month end of the original transaction date must also be sent to the Post Award Director for review and approval. The full policy 2113 Cost Transfers and Payroll Reallocations is available at http://www.finance.upenn.edu/vpfinance/fpm/2100/2100_pdf/2113.pdf.

If you have questions as to whether a proposed transaction is a cost transfer requiring the form, please contact Kim Garrison, Director of Post Award at kimmg@upenn.edu.

Agency Updates

NIH


Final RPPRs will be submitted through a new module in the eRA Commons. NIH will no longer accept FPRs. As with RPPRs currently, final RPPRs will require the sub-mission by a Signing Official.

When a Type 2 application is filed, NIH requires that an Interim RPPR be submitted while the Type 2 application is under consideration. If the new segment is not funded, the Interim RPPR will be considered a Final RPPR. If the new segment is funded, the Interim RPPR will serve as the annual performance report for the final year of the previous competitive segment.

(continued next page)
Agency Updates (continued):

NSF

The National Science Foundation has published an updated version of the Proposal & Award Policies & Procedures Guide (PAPPG). The Grant Proposal Guide (GPG) and the Award & Administration Guide (AAG) were consolidated to form the PAPPG.

The new guide applies to all proposals submitted on or after January 30, 2017. Please consult the PAPPG before preparing proposals.

Significant policy modifications include changes to submission requirements, such as instructions for late proposal submissions due to disasters; changing the title of Thesis Advisor and Postgraduate Scholar Sponsor to Ph.D. Advisor; the addition of new sections for GOALI and RAISE proposals; clarifications regarding voluntary committed and voluntary uncommitted cost sharing; and new award clauses that add higher levels of responsibility for pro-actively maintaining and communicating regulatory approvals.

NSF continues to expand their Automated Proposal Compliance checking in FastLane. Proposals that are submitted in Grants.gov will be subject to the same requirements, but will not receive the automated compliance checks.

A PowerPoint presentation of these updates is available at https://nsf.gov/bfa/dias/policy/outreach/nsfupdate_fall16.pdf.

NSF has also announced that the Major Research Equipment threshold has been revised to $70 million. The change is being made to address the gap that currently exists between smaller instrumentation and major facility projects. The change is reflected in the 2017 revision to the NSF Large Facilities Manual.
Is Your Research in Compliance with U.S. Export Control Regulations?

Export control laws (ECLs) are federal regulations that govern the transmission of information, technologies, and commodities to individuals internationally, including to US citizens and foreign nationals working in the United States. Not only do the regulations control exports to countries or individuals who are citizens of, or located in, those countries, they also ban exports to individuals and companies that have been involved in terrorist or drug-trafficking activities, as well as those barred from conducting exports because of previous ECL violations.

There are two main sets of export control regulations: the Export Administration Regulations (EAR), administered by the Department of Commerce’s Bureau of Industry and Security; and the International Traffic in Arms Regulations (ITAR), administered by the Department of State’s Directorate of Defense Trade Controls. In addition to these regulations, the Department of Treasury administers exports to embargoed countries and specially designated nationals through the Office of Foreign Asset Controls. Depending on the nature of the activity, a license from the Departments of State, Commerce, or Treasury may be necessary to export items/technology, share technical data outside the United States, train foreign nationals on controlled items/technology, or engage in activities in a sanctioned country; however, each agency has several license exceptions/exemptions available.

In recognition of the open nature of academic research, both the EAR and the ITAR stipulate that published information generally accessible to the public through fundamental research is not subject to export controls. Under both regulations, no license is required to share the results of fundamental research, even if they concern technology or items otherwise controlled. This is often called the “Fundamental Research Exclusion” (FRE), and is what permits universities to allow foreign nationals to participate in research on U.S. campuses. However, it is important to note that the FRE applies only to the results of research; it does not apply to tangible items, which might require an export license to be exported abroad or shared with foreign nationals in the United States. So while your project may be scoped as Fundamental Research, keep in mind that FRE:

- Applies to results of research, not “things”
- Applies to information only
- Does not apply to material shipments (or hand-carried items when traveling) anywhere outside the United States, even if created under the exclusion
- Does not apply to research conducted outside the United States
- Is lost if the university or its researchers accept access, dissemination, or participation restrictions during the course of the project

Given these limitations, it is important to understand that an export license may be required when traveling internationally or if, during the conduct of fundamental research, export-controlled technology will be released to a foreign national both here and abroad.

If you have questions, concerns, or think you may need an export license, please contact expctrl@lists.upenn.edu.
PennERA Tips and Reminders

➢ Importing a Subcontract RR_Budget

One of the great features of PennERA is the ability to import a detailed subcontract budget into the subcontract section of a proposal. Make sure, however, that the following fields are NOT populated with zeros (0) if no funds are going to be requested:

- Total Funds requested for all Senior Key Persons in the attached file (Section A)
- Total funds requested for all equipment listed in the attached file (Section C)

➢ Providing a Department Name for Subcontract Personnel

You must identify a department name when adding subcontract personnel; this information cannot be added later. **Do not use “TBD” or “N/A” or a Penn ORG number.** The Department Name is especially important for Key Personnel, as this is a field on the Senior/Key Person form.

- If importing a subcontract, select (or create a new) department name on the mapping screen before importing the subcontract.
- If manually entering a subcontract, always include the department name when adding new personnel.
- If you see the name in the list of personnel already present for a particular subcontractor, do not select an existing name that has “TBD” as the department or shows no department name: Always pick an existing name that has the correct department associated with that name.

It is not necessary to have all the address information at hand when adding subcontract personnel: This can be provided later.

➢ Adding personnel

In all records, personnel should be added only from the Budget Items screen, not from the Personnel screen. There is functionality in the Personnel “Add” feature that Penn does not use.

In S2S records, personnel who have no effort, such as Other Significant Contributors, will not appear in the Budget section of the RR Budget data. These personnel will appear only in the Senior/Key Person form.

➢ Submitting Records for Review

When submitting a proposal for routing and approval, users will receive a route preview screen which displays the current routing path prior to clicking the final “Submit” button. **If this path does not look correct,** click the ‘Refresh Route’ link.

If the route still does not appear to be correct after refreshing, an update to the record or the permanent routing path may be needed. In this case, do not submit the record. Please send a message to the PennERA Help Desk at PennERAHelp@lists.upenn.edu for assistance in resolving the issue.

(continued next page)
PennERA Tips and Reminders (continued):

- **Setting Up a Generic Record When Penn is a Subcontract**

  When Penn is a subcontract, make sure the following information is accurately provided:
  
  - The Proposal Sponsor identified during proposal creation is the institution to which we will be submitting our information.
  - The source of funds that “flow through” to Penn from the Proposal Sponsor is called the Originating Sponsor and is identified on Setup Questions.
  - **Even if the Originating Sponsor is a federal source**, do NOT select a funding opportunity number (used ONLY for S2S submissions to Grants.gov).
  - **If the flow-through source (Originating Sponsor) is federal**, answer YES to the question, “Is this a US federal sponsored project?”
  - **Always** answer NO to the question, “Will this be a proposal to PHS, NIH or one of the branches of NIH?” We (Penn) are NOT directly submitting our proposal to any of these agencies.

- **Getting Help**

  Please check out our Quick Reference Guide for importing subcontracts ([http://www.upenn.edu/researchservices/pdfs/QuickRef%20Subcontract%20Import.pdf](http://www.upenn.edu/researchservices/pdfs/QuickRef%20Subcontract%20Import.pdf)) and our User Guide at our reference website ([http://www.upenn.edu/researchservices/PennERA.html](http://www.upenn.edu/researchservices/PennERA.html)).

  Write to PennERAHelp@lists.upenn.edu with any questions you have about this information.
Changes to the Research Inventory System Subaward Module

Since 2013, the Research Inventory System (RIS) has been used to manage outgoing subawards for the Penn research community. We are pleased to announce that several major changes to the subaward module will occur over the next few months, with the first modification implemented on December 15, 2016. The changes are being made to improve the user experience for Penn’s subrecipients, to increase efficiency and transparency of our business processes, and to support the increased requirements for subrecipient monitoring that resulted from the implementation of the Uniform Guidance for the management of federal awards.

The December 15, 2016 changes impact members of the Penn community who create and submit subaward requests. Most importantly, the Penn employee creating the request will no longer have the option of sending the request to the outside party prior to submission. Instead, the Penn employee will need to upload the budget and the statement of work as part of the information required to submit the subaward request. He/She will also need to identify the relevant contacts at the subrecipient site. The revised system includes a "Subrecipient Community", a database of the entities to which Penn has subcontracted in the past, key information required for the subaward, and a list of the individuals previously identified within those entities. Users will have the ability to add additional contacts when making requests. The Subrecipient Community will be used by the Office of Research Services for the purpose of entity-level risk assessments.

If you did not have the opportunity to attend a training session detailing the RIS changes and need to use the system to make a subaward request, a new User’s Guide is available at: http://www.upenn.edu/researchservices/pdfs/RIS%20Outgoing%20Subaward%20Request%20Process%20Guide.pdf. Additional system changes scheduled to be implemented over the next year will include the addition of Data Warehouse reporting capability for RIS. As this is an iterative process, we welcome feedback on your user experience and recommendations.
**Milestone Revenue Recognition for Clinical Trails:**

Changes to the Revenue Distribution Rules and Closeout Process

The Office of Research Services has implemented the use of the Milestone Method of Revenue Recognition for Clinical Trial Agreements (CTAs) awarded to the University of Pennsylvania after July 01, 2015, in accordance with the Financial Accounting Standards Board update No. 2010-17. This change affects how revenue is calculated and recorded for CTAs in the General Ledger: The amount of revenue recorded for a CTA is now based on the dollar amount associated with the completion of a milestone as defined in the clinical trial agreement. ORS is not always notified when a milestone has been completed, so the revenue will be recognized when either an invoice is generated and submitted to a sponsor (a copy of the invoice must be forwarded to ORS via email GCINVOICING-L@LISTS.UPENN.EDU) or when payment is received for the project. Based on this method of recording revenue, the recording of transactions on a CTA FUND/Account in BEN has also changed. In instances when the revenue recorded in the G/L is in excess of the expenditures posted to the FUND, the deferred revenue balance (object code 2630) posted to a FUND will often be $0.00 instead of the usual credit balance.

**Example: Cost Based Revenue Distribution Rule: CTAs awarded and FUND Number created before 07/01/15.**

<table>
<thead>
<tr>
<th>Expense recorded in the G/L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Credit</strong></td>
<td><strong>Debit</strong></td>
</tr>
<tr>
<td>000-0001-1-000000-1110-0000-5000</td>
<td>XXX-XXXX-4-5xxxxx-5XXX-XXXX-XXXX</td>
</tr>
<tr>
<td>Debit</td>
<td>Revenue recorded (driven by Costs/Expense)</td>
</tr>
<tr>
<td>XXX-XXXX-4-5xxxxx-5XXX-XXXX-XXXX</td>
<td>100.00 Expense posted to the FUND</td>
</tr>
<tr>
<td><strong>Credit</strong></td>
<td><strong>Debit</strong></td>
</tr>
<tr>
<td>XXX-XXXX-4-5XXXXX-4600-XXXX-XXXX</td>
<td>000-0034-4-5XXXXX-1222-0000-0000</td>
</tr>
<tr>
<td>Debit</td>
<td>Invoice is generated (and forwarded to ORS</td>
</tr>
<tr>
<td>000-0034-4-5XXXXX-1222-0000-0000</td>
<td>via <a href="mailto:GCINVOICING-L@LISTS.UPENN.EDU">GCINVOICING-L@LISTS.UPENN.EDU</a> )</td>
</tr>
<tr>
<td>Debit</td>
<td>000-0034-4-5XXXXX-1220-0000-0000</td>
</tr>
<tr>
<td>Cash received</td>
<td></td>
</tr>
<tr>
<td><strong>Credit</strong></td>
<td><strong>Debit</strong></td>
</tr>
<tr>
<td>000-0034-4-5XXXXX-1220-0000-0000</td>
<td>000-0001-1-000000-1110-0000-5000</td>
</tr>
<tr>
<td>Debit</td>
<td>Operating Cash</td>
</tr>
</tbody>
</table>
Milestone Revenue Recognition for Clinical Trails: Changes to the Revenue Distribution Rules and Closeout Process (continued)

Example: Event/Milestone Based Revenue Distribution Rule: CTAs awarded and FUND Number created after 07/01/15. (The University does not need to return any surplus cash received to the sponsor).

<table>
<thead>
<tr>
<th>Expense recorded in the G/L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>000-0001-1-000000-1110-0000-5000</td>
<td>xxx-xxxx-4-5xxxxx-5XXX-XXXX-XXXX</td>
</tr>
<tr>
<td>Operating Cash</td>
<td>Expense posted to the FUND</td>
</tr>
</tbody>
</table>

Note: Revenue will NOT be recognized until the milestone has been met and an invoice is submitted to ORS (or cash is received).

(Completion of a Milestone/ Amount greater than expense posted to the FUND)

<table>
<thead>
<tr>
<th>Expense recorded in the G/L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>XXX-XXXX-4-5XXXXX-4600-XXXX-XXXX</td>
<td>000-0034-4-5XXXXX-2630-0000-0000</td>
</tr>
<tr>
<td>Revenue</td>
<td>Deferred Revenue</td>
</tr>
</tbody>
</table>

Invoice is generated (most likely on the same day that the revenue is recorded) and forwarded to ORS via GCINVOICE-INGL@LISTS.UPENN.EDU, or cash is received

<table>
<thead>
<tr>
<th>Expense recorded in the G/L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>000-0034-4-5XXXXX-2630-0000-0000</td>
<td>000-0034-4-5XXXXX-1220-0000-0000</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>Billed Receivable</td>
</tr>
</tbody>
</table>

Cash is received

<table>
<thead>
<tr>
<th>Expense recorded in the G/L</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>000-0034-4-5XXXXX-1220-0000-0000</td>
<td>000-0001-1-000000-1110-0000-5000</td>
</tr>
<tr>
<td>Billed Receivable</td>
<td>Operating Cash</td>
</tr>
</tbody>
</table>

Steps: In transferring a residual balance to a departmental account, BEN BILLINGS AND RECEIVABLE SYSTEM does not need to be adjusted unless there is an open receivable associated with the FUND.

1) After verifying that this FUND is eligible for closeout and the Residual Balance Transfer Form is submitted to ORS for processing, all that needs to be done is to transfer the revenue balance that is in excess of the expense recorded on the FUND to the departmental account identified on the form.

Note: Because the revenue has been recognized per the submission of invoices, the revenue total should equal the amount invoiced.

The revenue, invoice, and cash received totals should all be equal; the receivables object codes 1220 (Billed AR), 1220 (Unbilled AR), and 2630 (Deferred Revenue) should all equal $0.00. Example in the screen shot below.

In this example, the revenue/ invoice/ cash received totals are in excess of the final expense posted to the FUND at closeout. The dollar amount of the residual balance transfer would be the difference between the revenue amount (-50,365.80) and the final expense totals (17,985.69). Residual balance = $32,380.11.

(continued on next page)
2) A new object code has been created to transfer the excess revenue off the 5-FUND to the departmental account.

From the example above: Revenue in excess of allowable expense = $32,380.11.

Grant revenue posted to object code 4600.

From the G/L detail data:

**Transfer Amount** = $32,380.11

Debit: XXX-XXXX-4-5XXXXX-4601-0000-0000

Credit: The Department account identified on the Residual Balance Transfer Form, using object code 4601

**Journal Line Description**: FUND 5XXXXX Residual Balance Transfer Some changes will be made to existing Webi Reports and added to the University Public Folders to include the use of object code 4601. ORS will send out a notification to the Research email list (rschserv@lists.upenn.edu) when the Business Objects reports have been updated.

Any questions should be directed to Keith Dixon kdixon@upenn.edu


Note: This Milestone Method of Revenue Recognition will not be applied to Clinical Trial Agreements that do not allow the University to retain any surplus cash paid by a sponsor. The Cost Method of Revenue Recognition will continue to be used for these agreements.
Reminder of Payment Process for Grant Receivables:

If you receive a check for grants receivables, please forward it to the Office of Research Services. The ORS Cash Management Group will handle the deposit. The Office of Research Services Cash Management Group is responsible for processing all payments for Grants Receivables (object code 1220). This includes all checks, lockbox checks, ACH, and wire transfer payments for grants receivables, but does not include payments for subcontract reimbursements (object code 5332/5333) or other reimbursed expenses not paid by the sponsor. Checks that are not for grant receivables should not be forwarded to ORS for processing; these should be deposited directly by the responsible department.

Any questions regarding payments can be directed to Jennifer Rowan jenrowan@upenn.edu / 215-573-8820 or to the Cash Management Group: Sheri Harris (checks) hsheri@upenn.edu /215-898-9990; Rick Flom (ACH and wires) rickflom@upenn.edu / 215-898-7295.

Invoices Submitted by Departments for Grant Receivables:

When creating invoices to be submitted to sponsors, please incorporate the FUND number within the invoice number to ensure that payments are properly applied. For example, the first invoice for FUND 555999 should be invoice number 599999-001 and the second invoice 555999-002. As invoice numbers are often included in the payment description, incorporation of the FUND number within the invoice number will allow us to identify payments expediently.

Please also be sure to forward a copy of these invoices to GCINVOICING-L@lists.upenn.edu at the time they are submitted to the sponsor, so that the receivable can be recorded in our billing system. The message(s) forwarded to GCINVOICING-L@lists.upenn.edu should include a copy of the invoice. If an actual invoice/bill document is not submitted, please indicate the expected dollar amount of the anticipated payment in the message body, and be sure to include the FUND, PennERA Proposal #, PI Name, and Invoice # (if applicable) in the subject line. If the invoice is rejected by the sponsor, or is revised in a different dollar amount, please email the revised invoice to GCinvoicing, indicating the number of the invoice to be voided.
F&A Rate Process Update – Space Surveys & Equipment

The current federal F&A Rate Agreement is in effect runs through June 2017. In the lead-up to negotiating a new F&A Rate Agreement for FY18 and beyond, the Office of Research Services has been working on the F&A Rate Cost Proposal, using FY16 as the base year.

As facilities-related costs account for the largest portion of the F&A rate, ORS has been working to improve the integrity of the cost proposal and allocations to the F&A research rate through 1) more robust, complete and defensible FY16 space surveys of research laboratories and 2) more accurate and up-to-date FY16 BEN Assets data.

FY16 Space Surveys:
ORS held trainings in March & April 2016, and launched the surveys in April 2016. In past years when the space survey of research laboratories was required, it was performed in the summer months; however, in order to build in a more extensive quality review process, the space survey for FY16 was scheduled earlier in the calendar year. Consultants from Attain were engaged to perform quality assurance reviews on over 50 departments during the summer. Despite the many challenges and delays encountered during this process, campus-wide commitment and cooperation resulted in a stronger and more defensible space survey, which forms the basis of the facilities cost allocation to the F&A rate. The improved documentation gathered during the process will aid us in future federal government negotiator site visits and PI interviews.

FY16 BEN Assets Inventory & Data Updates:
When the quality and integrity of our movable equipment data came into question during the most recent F&A site visit and rate negotiation, the University recognized the need for increased attention to asset data updates and ongoing maintenance. The Office of Research Services and the Comptroller’s Office have been working collaboratively to improve the regular equipment inventory process and follow-up procedures on items not located. Many units have also endeavored to identify and clean up retired assets. Additionally, the Comptroller’s Office released a revised Asset Retirement Policy (1106.3) effective late Fall 2016 to streamline the asset retirement process. While the equipment inventory process is designed to assist units in identifying assets in need of update (responsible ORG, current location, retirement, etc.), this should not be the primary driver for asset updating. Asset data needs to be maintained in a timely manner. This will be especially critical with regard to equipment for which depreciation is a component of the F&A Rate Proposal, because the federal negotiator will select a number of equipment items for future site-visit review, which will not always occur within the year. For this reason, the Office of Research Services will send schools lists of their assets contributing to the F&A Rate Proposal, to facilitate the updating and maintenance of movable equipment information in the BEN Assets system, prior to the end of the fiscal year.

We expect to complete, finalize, and submit the F&A Rate Cost Proposal to our cognizant federal agency, the Department of Health and Human Services, within the coming months.